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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

SEP 06 2006

**PUBLIC SERVICE
COMMISSION**

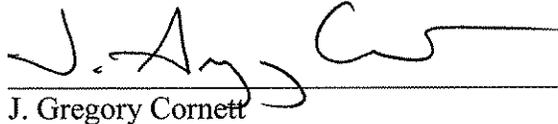
In the Matter of:

**PETITIONS OF KENTUCKY UTILITIES)
COMPANY AND BLUE GRASS ENERGY)
COOPERATIVE CORPORATION TO BE) CASE NO. 2006-00214
DESIGNATED AS THE RETAIL ELECTRIC)
SUPPLIER FOR THE NEW WAL-MART)
STORE IN CYNTHIANA, KENTUCKY)**

NOTICE OF TENTATIVE SETTLEMENT

Kentucky Utilities Company (“KU”) and Blue Grass Energy Cooperative Corporation (“Blue Grass”) hereby give notice to the Commission that they have reached an agreement in principle to resolve the issues in this proceeding, subject to finalization by the parties. This tentative agreement would allocate the territory at issue in this proceeding (presently occupied by Wal-Mart Store No. 591 and a SuperCenter under construction) to KU, and would allocate other territory (presently certified to KU) to Blue Grass. The parties anticipate that they will be able to present the Commission with a formal settlement agreement, together with revised territorial boundary maps, for approval on or before October 20, 2006. In the meantime, however, pursuant to agreement of the parties, KU will begin providing interim service to the SuperCenter building so as not to delay construction on the building by Wal-Mart’s contractor.

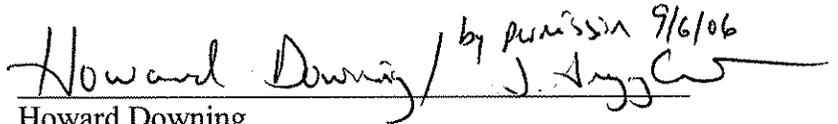
Respectfully submitted,



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Counsel for Kentucky Utilities Company

Howard Downing / *by permission 9/6/06*

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Counsel for Blue Grass Energy
Cooperative Corporation

CERTIFICATE OF SERVICE

It is certified that a true and correct copy of the foregoing was served via U. S. Mail, postage prepaid, this 6th day of September, 2006 upon:

David Ozment
Manager of Rates & Compliance
Wal-Mart Stores, Inc.
2001 SE 10th St.
Bentonville, AR 72716-0550


Counsel for Kentucky Utilities Company